

**CALIFORNIA DEBT AND INVESTMENT ADVISORY COMMISSION
DEBT TECHNICAL ADVISORY
COMMITTEE (TAC) MEETING APPROVED MINUTES**

Thursday, December 7, 2004

**Jesse Unruh State Office Building
915 Capitol Mall, Room 587
Sacramento, California 95814**

OPEN SESSION

1) CALL TO ORDER AND ROLL CALL

Debt TAC Chair Jacquelynne Jennings called the meeting to order at 1:05 pm. TAC members present at the meeting included: Leonard Berry, Nathan Brostrom, Rafael Costas, Roger Davis, Richard Hiscocks, Michelle Issa, Jacquelynne Jennings, David Johnson, Kenneth Kurtz, Andrew Nakahata, Nikolai Sklaroff, Mary Vattimo, Dawn Vincent, Robert Whalen, and Steve Zimmermann. CDIAC staff members present included: Executive Director Lisa M. Harris, Kristin Szakaly-Moore, Linda Louie, Frank Moore, Mark Campbell, Nova Edwards, Robert Stroud, Doug Skarr, Berma Williams, Pat Brubaker, Sarah Keck, and Tanya O'Neill. No members of the general public were present.

2) INFORMATION ITEMS

a. Welcome

Debt TAC Chair Jacquelynne Jennings and California Debt and Investment Advisory Commission (CDIAC) Executive Director Lisa M. Harris welcomed TAC members to the meeting.

b. Debt Primer Update

Ms. Harris told TAC members that due to budgetary reasons, CDIAC withdrew its Request for Proposals to update its *Debt Issuance Primer (Primer)*. However, the need to update the *Primer* still exists; therefore, Ms. Harris asked for volunteers from the TAC to assist in updating select portions of the *Primer*. TAC members who volunteered to assist CDIAC in its update of the *Primer* include: Mr. Davis, Ms. Mazyck, Mr. Brostrom, Ms. McDonough, Ms. Petersen, and Ms. Hyman.

Because updating the entire *Primer* would be a time consuming task (especially without monetary compensation), CDIAC has chosen two areas that it would like updated: derivatives and auction rate securities. TAC members asked questions regarding what specific aspects of derivatives would CDIAC like to focus on. Ms. Harris indicated that the principal focus would be on debt-related derivative products but that the details could be determined once the volunteer group was formed.

The following suggestions for updating the contents of the *Primer* were provided:

- Mr. Johnson stated that a template for a swap policy would be helpful.
- Ms. Moyer suggested it would be interesting to have a survey done of who is doing swaps, their level of experience, how they are managing their swap (e.g. mark-to-marketing their swap), and what resources they have available.
- Mr. Sklaroff stated it would be useful to have some instruction on variable rate financings, including when it is appropriate to use them.
- Mr. Burdett added knowing how to manage a swap is important, in particular when to unwind or extend an existing swap.

TAC members made several suggestions for marketing and distributing the *Primer*. These include:

- Use video conferencing.
- Put the *Primer* online.
- Seek joint ventures with other associations to promote it and advertise it in their newsletters.

TAC volunteers agreed that the timeline for the update should be about one year.

c. Upcoming CDIAC Seminars/Research Projects

CDIAC staff Mark Campbell provided a brief description of two projects that he has been working on: a topical piece on refunding bonds and an issue paper on land appraisal issues that came out of two forums held earlier this year. Ms. Szakaly-Moore added that CDIAC received an award from GFOA for its *Bond Insurance as a Form of Credit Enhancement* report, which several TAC members assisted in reviewing.

Ms. Harris briefly described several upcoming seminars including CDIAC's preconference at *The 13th Annual Bond Buyer California Municipal Finance Conference* and its *2nd Annual Tools to Revitalize California Communities Conference*. Ms. Jennings emphasized the need to reach out to more rural parts of the state by taking educational programs to them because of tight budgets. Ms. Lammers mentioned that her organization has video conferencing facilities that may assist in outreach to these areas. Mr. Sklaroff brought up the California Redevelopment Association's (CRA) Distance Learning Program as a use of modern technology that could reduce seminar costs. CRA's program is conducted with a combination of a web-based conferencing system and an audio conference call using an audio conferencing service.

d. Derivatives/Interest Rate Swaps Discussion

Further discussion was held on derivatives/interest rate swaps. Several TAC members had the additional comments:

- Mr. Sklaroff said he believes more emphasis needs to be placed on when it is appropriate to use a swap and how to analyze one, rather than on what is a swap. Ms. Harris commented that feedback from CDIAC seminars and interaction with local officials have indicated that there still is a strong need for basic information on how a swap works.
- Mr. Brostrom suggested it would be useful to know factors that affect the pricing of a swap and the interaction between taxable and nontaxable aspects of the market. In particular, it would be helpful to have training on questions to ask regarding pricing and how to define market "fairness."
- Ms. Moyer spoke briefly on GFOA's best practices swap proposal. She indicated that it would be taken to the GFOA Board for approval.
- Mr. Schaefer stated it would be helpful to have a diagram of how the pieces fit together in a swap transaction and a logical discussion of the documentation, pricing, and terminology.
- Ms. Issa added that information on swap policy development is another area of need. Some larger issuers have put together swap policies but many issuers have no policy in place.

e. Update on Current Industry Issues

Mr. Whalen stated that disclosure is a significant issue among smaller issuers. Many are out of compliance with respect to continuing disclosure filings. For example, in some cases school districts have not filed. TAC members speculated that this might be due to both a lack of awareness of the requirement and lack of staff (in particular, school districts often don't have the financial staff that other local agencies have to carry out such duties).

Ms. Hyman discussed the need to educate conduit issuers, in particular, 501(c)(3) issuers. Many new issuers are coming to market, including nonprofit colleges and universities that need additional education.

Ms. Jennings reiterated the need for TAC members to assist CDIAC with input and help. She hopes that the volunteers who will be assisting in updating the Debt Primer can complete the update by the time the TAC meets next year.

f. Next Meeting of the TAC

Ms. Jennings reiterated that the next TAC meeting would be held in approximately a year; however, she will be in contact with TAC members during the year.

3) PUBLIC COMMENT

There was no public comment.

4) ADJOURNMENT

The meeting adjourned at 2:40 pm.